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E.O. 11652: GDS

TAGS: CI, EFIN

SUBJECT: 1972 DEBT RESCHEDULING AGREEMENT

1. ON DECEMBER 19, REPRESENTATIVES OF USG AND GOC

INITIALED MEMORANDUM OF UNDERSTANDING FOR RESCHEDULING

CHILE'S EXTERNAL DEBT PAYMENTS FOR PERIOD OF NOVEMBER,

1971 THROUGH DECEMBER, 1972 IN ACCORDANCE WITH APRIL 1972

PARIS CLUB AGREEMENT. TEXT OF NEWS RELEASE, TENTATIVELY

SCHEDULED FOR DELIVERY TO PRESS ON FRIDAY, DECEMBER 21, IS

AS FOLLOWS:

"THE DEPARTMENTS OF STATE AND TREASURY ANNOUNCED TODAY

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THAT REPRESENTATIVES OF THE UNITED STATES GOVERNMENT AND

THE GOVERNMENT OF CHILE HAVE REACHED AN UNDERSTANDING AD

REFERENDUM ON REPAYMENT OF DEBTS TO THE UNITED STATES THAT WERE DUE FROM NOVEMBER 1971 THROUGH DECEMBER 1972. THIS UNDERSTANDING IMPLEMENTS A MULTILATERAL DEBT RESCHEDULING ARRANGEMENT REACHED IN PARIS ON APRIL 19, 1972 BETWEEN THE GOC AND 12 CREDITOR GOVERNMENTS.

UNDER THE UNDERSTANDING, A TOTAL OF OVER DOLS. 60 MILLION WILL BE PAID OVER THE NEXT FOUR YEARS WITH APPROXIMATELY DOLS. 16 MILLION OF THIS AMOUNT PAID ON DECEMBER 28, 1973. AN APPROXIMATE ADDITIONAL DOLS. 64 MILLION WILL BE PAID IN SIX YEARS BEGINNING ON JANUARY 1, 1975, WITH 6 PERCENT ANNUAL INTEREST.

CHILE HAS BEEN UNABLE TO MEET PAYMENTS DUE ON DEBTS TO THE UNITED STATES AND CERTAIN OF ITS AGENCIES DURING 1973. THESE UNPAID OBLIGATIONS, AS WELL AS DEBTS DUE DURING 1974, WILL BE THE SUBJECT OF A MEETING OF CREDITOR NATIONS IN PARIS SCHEDULED FOR FEBRUARY 1974.

THE CHILEAN GOVERNMENT REITERATED ITS INTENTION TO FULFILL ALL OF THE PROVISIONS OF THE APRIL 1972 MULTILATERAL DEBT RESCHEDULING AGREEMENT AND, IN PARTICULAR, THEIR INTENTION TO CARRY ON DIRECT NEGOTIATIONS AIMED AT PROVIDING JUST COMPENSATION.

IN THE DISCUSSIONS LEADING UP TO THE UNDERSTANDING, THE CHILEAN REPRESENTATIVES DISCUSSED THE ECONOMIC SITUATION IN CHILE AND THE PROGRESS THEY HAVE MADE ON A STANDBY ARRANGEMENT WITH THE INTERNATIONAL MONETARY FUND TO HELP SUPPORT A CHILEAN ECONOMIC STABILIZATION PROGRAM."

2. UNDER THE MEMORANDUM, 70 PERCENT OF DEBT INCLUDED UNDER PARIS CLUB, AMOUNTING TO APPROXIMATELY DOLS. 64 MILLION, WILL BE RESCHEDULED ON PARIS CLUB TERMS, WITH PAYMENT BEGINNING ON JANUARY 1, 1975, GOING THROUGH 1981 AT SIX PERCENT INTEREST. REMAINING 30 PERCENT OF DEBT PLUS CREDITS EXCLUDED FROM PARIS CLUB TERMS AMOUNTS TO APPROXIMATELY DOLS. 64 MILLION. UNDER MEMORANDUM OF UNDERSTANDING, IMMEDIATE CASH PAYMENT WILL BE MADE OF DOLS. 16 MILLION OF WHICH DOLS 12 MILLION WILL GO TO EXIM.
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AN ADDITIONAL TOTAL OF DOLS. 16 MILLION, PLUS INTEREST, SIMILARLY ALLOCATED AMONG THE AGENCIES, WILL BE PAID QUARTERLY BEGINNING MARCH, 1974, FOR ONE YEAR, TO BE FOLLOWED BY A TOTAL OF APPROXIMATELY DOLS. 32 MILLION PLUS INTEREST PAID OUT QUARTERLY OVER A THREE YEAR PERIOD BEGINNING MARCH, 1975 AND ENDING DECEMBER, 1977.

3. DETAILS COVERING SEPARATE BILATERAL AGREEMENTS WITH USG AGENCIES WILL BE WORKED OUT OVER NEXT FEW WEEKS. THIS WOULD PERMIT SIGNING OF FORMAL OVERALL INTER-

GOVERNMENTAL AGREEMENT AT SAME TIME AS SEPARATE BILATERAL
AGENCY AGREEMENTS ARE SIGNED.

4. INITIALLING MEMORANDUM FOR USG WERE TREASURY ASSISTANT
SECRETARY JOHN HENNESSY AND STATE DEPARTMENT DEPUTY
ASSISTANT SECRETARY HARRY SHLAUDEMANN. CHILEAN GOVERN-
MENT SIGNERS WERE RAUL SAEZ AND AMBASSADOR WALTER HEITMANN.
NEGOTIATING ATMOSPHERE WAS CORDIAL AND COOPERATIVE.

5. DEPARTMENT POUCHING TEXT OF AGREEMENT TO EMBASSY TODAY.
RUSH

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